



Committed to the future of rural communities.

USDA Rural Development Single Family Housing Guaranteed Loan Program

**Committed to the Future of Rural Communities
in Partnership with Residential Mortgage Lenders**

LENDER BENEFITS

- USDA Rural Development Guaranteed Loans are eligible for Fannie Mae, Freddie Mac, secondary market and Ginnie Mae pools.
- Increase very low, low and moderate income customer base.
- Loans qualify for Community Reinvestment Act (CRA) goals.
- Loans are underwritten by an approved lender utilizing their own forms.
- Flexible credit options to meet the needs of very low, low and moderate income rural community homebuyers.
- Loans are guaranteed up to 90 percent of the original loan amount by the Federal Government.
- Guaranteed Underwriting System (GUS) is available free to approved lenders.
- Stable and affordable loan terms contribute to successful rural homeownership!

APPLICANT BENEFITS

- 100 percent financing available with no downpayment required. Eligible repairs and closing costs may be included in the loan up to the appraised value of the property.
- Upfront guarantee fee may be included in the loan amount above the appraised value.
- Existing or new construction homes including all Planned Unit Development's (PUD's) are eligible.
- Condominiums may be eligible.
- 30 year loan terms with fixed interest rates.
- No pre-payment penalties.
- Satisfactory credit and qualifying ratios apply. Nontraditional credit histories may be eligible.
- Eligible downpayment assistance, seller concessions, gift, or grant programs offered by a city/county municipality or housing development authority are allowed. Gift funds from qualified sources are allowed. Mortgage Credit Certificates (MCC's), Section 8 benefits, temporary, and permanent buydowns are allowed. These may result in an increased benefit to the applicant by reducing mortgage debt and/or paying customary closing costs.

APPLICANT REQUIREMENTS

The following information is not all inclusive. For complete information refer to RD Instruction 1980-D, supplemented by applicable Administrative Notices (AN) available online at <http://www.rurdev.usda.gov/RegulationsAndGuidance.html>.

APPLICANT ELIGIBILITY

The applicant must:

- Be a U.S. Citizen, legally admitted as a permanent resident, or be a qualified alien.
 - Have the legal capacity to incur the loan obligation.
 - Be unable to secure credit with rate and terms reasonable to the applicant without a guarantee from the Single Family Housing Guaranteed Loan Program (SFHGLP).
 - Not own a home within the local commuting area at the time of loan closing. Applicants that do own a home that is structurally unsound or functionally inadequate, or is located outside of the local commuting area may still be eligible for guaranteed loan consideration.
 - Occupy the home purchased in an eligible rural area as their permanent primary residence.
 - Have stable and dependable income to ensure repayment ability. Households may not exceed the moderate income limit established for the applicable rural area.
 - Have an acceptable credit history that demonstrates the willingness and ability to meet financial obligations as they become due. If applicants exhibit unacceptable credit per RD Instruction 1980-D, section 1980.345(d) the approved lender may still consider the applicant if documented evidence of strong compensating factors as outlined in section 1980.345(d)(3) exists.
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ANNUAL INCOME LIMITS

- Annual income includes the total gross income of the applicant, co-applicant, and any other adult (age 18 and up) household members.
 - Adjustments to annual income may be deducted for program eligibility determination. Deductions may be made for dependants, eligible annual childcare expenses, disability expenses, and annual medical expenses for elderly families. Please discuss eligible deductions with your SFHGLP contact.
 - Income limits are published for each county as an Exhibit to RD Instruction 1980-D and are available online at: <http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>
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REPAYMENT ABILITY: DEBT/INCOME RATIOS

- Repayment ability is determined by calculating the following ratios:
 - **PITI (Principal, Interest, Real Estate Taxes, and Homeowner Insurance):** The total PITI payment divided by the repayment income must be 29 percent or less.
 - **Total Debt (TD):** The PITI payment plus all other monthly debt obligation payments divided by the repayment income must be 41 percent or less.
- Repayment ratios that exceed 29 and/or 41 percent may be approved by Rural Development when a ratio waiver request is provided by the approved lender. The ratio waiver must document and provide evidence of strong compensating factors to support the request.

Examples of strong compensating factors include but are not limited to:

- Current rent/housing payment is equal to or less than the proposed PITI.
 - Applicant has a history of devoting a similar percentage of income to housing expense similar to the PITI over the previous 12 months.
 - Strong credit score and repayment history.
 - Reserves are available post loan closing, which evidence the applicant's ability to accumulate savings.
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PROPERTY REQUIREMENTS

ELIGIBLE RURAL AREA

The property must be located in an eligible rural area as defined in 7 CFR 3550.10 as:

1. Open country which is not part of or associated with an urban area.
2. Any town, village, city or place, including the immediate adjacent densely settled area, which is not part of or associated with an urban area and which:
 - a. Has a population not in excess of 10,000 if it is rural in character, or
 - b. Has a population in excess of 10,000 but not in excess of 20,000, is not contained within a Standard Metropolitan Statistical Area, and has a serious lack of mortgage credit for very low, low and moderate income households as determined by the Secretary of Agriculture and the Secretary of HUD.

Property eligibility is available online and through GUS.

EXISTING HOMES

- Properties must meet HUD Handbooks 4150.2 and 4905.1. An FHA Roster appraiser or licensed residential appraiser deemed qualified by the approved lender may certify to this determination.
- A separate home inspection report prepared by the appraiser or a home inspector deemed qualified by the approved lender is an acceptable option to ensure properties meet minimum standards.
- Homes must be structurally sound, functionally adequate and in good repair, or will be improved to meet good repair.
- There are no thermal performance standards for existing homes.
- Private water systems/wells: The local health authority or state certified laboratory must perform a water quality analysis, which must meet state and local standards.
- Private septic systems: The septic system must be free of observable evidence of failure. An FHA Roster appraiser, government health authority, licensed septic professional or qualified home inspector may perform the septic system evaluation.
- Termite: If required by the lender, appraiser, inspector, or State law, a pest inspection must be obtained to confirm the property is free of active termite infestation.
- Repairs: Any repairs necessary for the dwelling to be structurally sound, functionally adequate and in good repair must be completed prior to the request of the loan note guarantee. Exception: Escrow accounts that meet the requirements of RD Instruction 1980-D, section 1980.315 are allowed for exterior weather delayed repairs. When eligible escrow accounts are established per section 1980.360(2)(ii) the loan note guarantee will be issued without the repairs complete.
- Existing homes have been completed for more than 12 months or have been completed for less than 12 months but have been previously occupied.

NEW CONSTRUCTION

- Evidence the home was built in accordance with certified plans and specifications (e.g., International Residential Building Code, CABO, BOCO, etc.) must be obtained through an eligible building permit, certificate of occupancy, or certification for a qualified individual or organization that reviews plans and specifications.
- Evidence of construction inspections performed throughout the project in accordance with section 1980.341(b)(2) must be retained. Acceptable documentation includes an eligible certificate of occupancy or copies of three inspections performed: (1) inspections prior to footing and foundation poured, (2) inspections of plumbing, electrical, and mechanicals before the shell is enclosed, and (3) a final inspection will meet requirements.
- Evidence of a builder's warranty. Minimum one year issued by the builder. If the builder has offered a 10 year insured builder's warranty acceptable to the Agency, this may be accepted and evidence of construction inspections will be waived.
- Thermal performance requirements must meet the 2006 IECC code. An eligible building permit, certificate of occupancy, final inspection, or 10 year insured builder's warranty is acceptable evidence this requirement has been met.
- New construction homes have been completed (as evidenced by a certificate of occupancy) for less than 12 months and have never been occupied.
- New manufactured homes must be purchased from an approved dealer –contractors (your SFHGLP contact can provide a list of those approved in your state). A unit is considered new if the purchase agreement is dated within 12 months of the date the unit was manufactured. The date of manufacture is available on the factory installed plate on the unit.

LOAN REQUIREMENTS

LOAN PURPOSES

- Loans must be secured by a first lien on real property in an eligible rural area.

Loan funds may be used to:

- Purchase an existing or new construction (stick built, modular, or manufactured) home.
- Purchase or pay off a site as part of a new construction package.
- Purchase and improve an existing home. Improvements must be complete before a loan note guarantee will be issued. Exception: Escrow accounts are allowed for weather delayed exterior repairs only.
- Include eligible loan fees, including legal fees, title services, and eligible closing costs.
- Refinance existing Section 502 Direct and Guaranteed loans. If only the principal balance and the guarantee fee will be financed, no new appraisal is required. If the applicant wishes to include eligible closing costs into the loan, a new appraisal is required. A new appraisal is always required for Section 502 Direct loan refinances.

LOAN LIMITS

- The maximum loan amount is 100 percent of the appraised value plus the upfront guarantee fee.

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- The loan may include the purchase price and eligible closing costs/pre-paid items up to the appraised market value. The entire upfront guarantee fee may be included into the loan above the appraised market value. Approved lenders are responsible to ensure individual investor guidelines are met.
 - There are no maximum purchase price limits. The applicant's debt ratios and the maximum income limits for the county will determine the amount of loan for which they qualify.
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LOAN RATES, TERMS, AND COSTS

- Interest rates must be fixed. The interest rate will be agreed upon by the applicant and the lender. The maximum interest rate allowable may not exceed the Fannie Mae 90 day Actual/Actual yield for a 30 year fixed rate mortgage loan, plus 60 basis points, rounded up to the nearest quarter of one percent. Example: Fannie Mae 90 day rate is 5.12 + 60 basis points = 5.72 rounded up = 5.75%.
 - The maximum interest rate must be honored on the date the rate is locked.
 - The loan term must be 30 years.
 - Payments are due monthly.
 - No pre-payment penalties are allowed.
 - Closing costs and fees charged to the applicant must be customary for similar mortgage transactions (e.g., FHA and VA mortgage loans). Approved lenders are responsible to ensure individual investor guidelines are met.
 - Late payment charges typical for the industry are permitted, but are not covered by the loan note guarantee.
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GUARANTEE FEES AND LOAN NOTE GUARANTEE

Upfront Guarantee Fee

- The lender must remit an upfront non-refundable guarantee fee at loan closing. The upfront guarantee fee may be charged to the applicant and/or included in the loan.

Annual Fee

- An annual fee is applicable for the life of the loan.
- The fee will be calculated on the scheduled unpaid average principal balance, divided into 12 monthly payments and added to the monthly mortgage payment.
- Servicing lenders must remit annual fees electronically via pay.gov once established.
- A pro-rated annual fee will be determined for loans that are paid off, terminated, or result in a loss.

Loan Note Guarantee

- In the event of a borrower default, Rural Development will guarantee up to 90 percent of the original loan amount as follows: 100 percent of the loss is covered for the first 35 percent of the loan amount. Losses greater than 35 percent are guaranteed at 85 percent of the loss for the remaining 65 percent of the loan amount.

Fiscal Year (FY) 2013 Guarantee Fees: FY 2013: October 1, 2012 – September 30, 2013

Purchase Transactions:

- Upfront Guarantee Fee: 2%
- Annual Fee: .40%

Refinance Transactions:

- Upfront Guarantee Fee: 2%
- Annual Fee: .40%

Calculating the upfront guarantee fee and annual fee:

An “Upfront Guarantee Fee and Annual Fee Calculator” is available on the USDA LINC website under the “Training and Resource Library” link. Refer to the “Rural Development Contacts” section for more information.

PURCHASE TRANSACTIONS

Purchase Scenario #1: Finance the entire upfront guarantee fee

Appraised value: \$150,000 | Purchase price: \$147,000 | Closing costs included: \$3,000
 $\$147,000 + \$3,000 = \$150,000 \div .98 = \$153,061.22$ total loan amount including the 2% fee
 $\$153,061.22 \times 2\% = \$3,061.22$ upfront guarantee fee

Purchase Scenario #1: Annual Fee

Average UPB $\$151,938.66 \times .40\% = \607.75 1st year annual fee
 $\$607.75 \div 12 = \50.65 added to monthly mortgage payment

Purchase Scenario #2: Do not finance the upfront guarantee fee

$\$147,000 + \$3,000 = \$150,000$ total loan amount
 $\$150,000 \times 2\% = \$3,000$ guarantee fee will be due at the closing table

Purchase Scenario #2: Annual Fee

Average UPB $\$148,899.90 \times .40\% = \595.60
 $\$595.60 \div 12 = \49.63 added to monthly mortgage payment

REFINANCE TRANSACTION

Refinance Scenario #1: Finance the entire upfront guarantee fee

$\$147,500$ principal balance $\div .98 = \$150,510.20$ total loan amount including the 2% fee
 $\$150,510.20 \times 2\% = \$3,010.20$ guarantee fee

Refinance Scenario #1: Annual Fee

Average UPB $\$148,899.90 \times .40\% = \595.60
 $\$595.60 \div 12 = \49.63 added to monthly mortgage payment

Refinance Scenario #2: Do not finance the upfront guarantee fee

$\$147,500$ principal balance $\times 2\% = \$2,250$ guarantee fee will be due at the closing table

Refinance Scenario #2: Annual Fee

Average UPB $\$146,418.25 \times .40\% = \585.67
 $\$585.67 \div 12 = \48.81 added to monthly payment

For refinance transactions: If any additional closing costs, fees, etc. will be financed in addition to the principal loan amount; a new appraisal will be required. The total loan amount before the guarantee fee is calculated may not exceed the appraised value.

REMINDER: An “Upfront Guarantee Fee and Annual Fee Calculator” tool is available online at USDA LINC!

APPROVED LENDER PROCESS

Lender requests for National or multiple State approvals must be submitted to the National Office in Washington, D.C. If lenders will only conduct business in one State, they should apply directly with that State.

The following information will be required for approval processing:

- Tax Identification Number.
- Evidence of approval by Fannie Mae or Freddie Mac for one to four family mortgage loans, HUD or VA as a supervised or non-supervised mortgagee, Ginnie Mae as an issuer of mortgage backed securities, Farm Credit Service with direct lending authority, or evidence of approval in other USDA Rural Development programs such as Rural Business, Rural Utilities Service, and/or consolidated Farm Service Agency guaranteed loan programs. HUD loan correspondents, VA agents, Freddie Mac Third Party Originators (TPO's), and mortgage brokers are not eligible to become approved lenders. However, they may still participate in the SFHGLP by working with an approved lender.
- Names, titles, and responsibilities of all principal officers.
- Contact person (name, address, phone, fax, and email) for SFHGLP guarantees.
- Internal underwriting criteria for credit history and repayment ability.
- Quality control plan for monitoring loan production and servicing.
- Completed and executed Form RD 1980-16 “Agreement for Participation in SFH Guaranteed/Insured Loan Programs for the U.S. Government” known as the Lender Agreement.
- List of States where SFHGLP origination is planned.
- Statement of agreement to use forms approved by HUD’s FHA, Fannie Mae, or Freddie Mac, and a list of the forms to be used.

Rural Development will review the information for completeness. Eligible lenders must also complete an acceptable training requirement prior to approval. Guaranteed Loan Training is mandatory for loan originators and underwriters that will participate in the SFHGLP. There are many acceptable options to complete Guaranteed Loan Training as follows:

1. **“Guaranteed Lender Training”** is presented on-line and on-demand. Lenders may log into the USDA LINC site at: <https://usdalinc.sc.egov.usda.gov/> Click on “RHS LINC Home” / Under “Single Family Guaranteed Rural Housing” Click on “Training and Resource Library” / Under “Single Family Guaranteed Rural Housing” scroll to “New Lender Training” click on the link you wish to view. Below is an example of the training options offered. Materials are subject to change and updates.

New Lender Training

Training

[Overview of SFH Guaranteed Loan Program 2010 \(Flash\)](#)

Documentation and Resources

[SFH Guaranteed Loan Training 2010 \(PDF\)](#)
[GRH Training Attendance Sheet \(EXCEL\)](#)

- “Overview of SFH Guaranteed Loan Program 2010” is a recorded training.
 - “SFH Guaranteed Loan Training 2010” is a pdf version of the training with notes.
 - “GRH Training Attendance Sheet” is an attendance sheet lenders may execute as proof of training completion. The password to access the spreadsheet will be included in official correspondence from the National Office.
2. Guaranteed training programs presented by Agency staff.
 3. AllRegs offers a fee based self-study course titled, “Exploring Guaranteed Rural Housing (GRH): A Rural Development Program” Course No. WS-09-UW-001. A certificate is provided upon completion of the course. A copy of the certificate must be forwarded to the National or State Office where lender application has been made. Lenders may visit www.allregs.com for more information.

NOTE: The titles/dates may change slightly each year in order to reflect the most current trainings posted.

Rural Development monitors lender performance and eligibility credentials.

GUARANTEE LOAN PROCESS

1. The applicant must file a loan application with an Agency approved lender, or a lender who will submit the loan file for underwriting and approval to an Agency approved lender.
 2. An approved lender must underwrite the loan file and determine if the applicant, property, and loan meet Rural Development eligibility requirements.
 3. The approved lender will submit the approved and underwritten loan file along with all applicable documentation to the Rural Development office responsible for processing loan files where the subject property is located. Form RD 1980-21, “Request for Single Family Housing Loan Note Guarantee,” must accompany each file.
 4. Rural Development reviews the request for program eligibility. If all applicant, property, and loan eligibility requirements are met, the Agency will obligate loan funds and issue Form RD 1980-18, “Conditional Commitment for a Rural Development Guarantee,” to the approved lender. **Loans should not be closed until Form RD 1980-18 has been issued.**
 5. The lender must review all conditions noted on Form RD 1980-18. If the lender can meet all of the conditions, they may close the loan. Lenders will certify they have met all of the conditions on Form RD 1980-18 by completing the reverse side of the form and submitting it to Rural Development as part of the loan closing package. The Conditional Commitment will list all applicable documents that must accompany the loan closing package, including Form RD 1980-19, “Loan Closing Report,” and the upfront guarantee fee. If the loan has already been sold or transferred to a different servicing/holding lender, Form RD 1980-18 provides a section to update this information.
 6. Rural Development will review the loan closing package for completeness. The upfront guarantee fee will be processed and Form RD 1980-17, “Loan Note Guarantee,” will be issued to the approved lender.
 7. Loans that are sold or transferred after the Loan Note Guarantee is issued must submit Form RD 1980-11, “Guaranteed Rural Housing Lender Record Change,” to Rural Development.
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GUARANTEED UNDERWRITING SYSTEM (GUS)

GUS is USDA Rural Development's automated underwriting system. GUS was developed to automate property and income eligibility, as well as the credit risk evaluation of SGHGLP loans. GUS provides the option of importing a loan from a lender's eligible LOS/POS system. GUS will provide an "underwriting recommendation" to assist the approved lender in making a loan approval decision. **GUS does not issue loan approvals. GUS does not replace the prudent judgment of experienced underwriters.** GUS is a tool to assist in the underwriting process. Only approved lenders may access GUS. Approved lenders may apply to become GUS lenders after approved lender status is achieved. Lenders may not apply to become GUS lenders until there is an executed Form RD 1980-16 approved and on file with Rural Development.

Steps to become a GUS approved lender:

1. Approved lenders may access the guide "Gaining Access to the Guaranteed Underwriting System" on USDA LINC. This guide is in the "Training and Resource Library" for the Single Family Housing Guaranteed Loan Program. The GUS guide provides all necessary forms and step by step instructions for the lender to follow.
2. Once a lender has assembled the full information required by the GUS guide and completed mandatory GUS training, they may forward their sign up information to our office in St. Louis, Missouri. If the lender is eligible to gain access to GUS, an email notification of activation to use GUS will be provided within 15 days of receipt of the sign up package.

GUS Training is available on the USDA LINC site at: <https://usdalinc.sc.egov.usda.gov/> Click on "RHS LINC Home" / Under "Single Family Guaranteed Rural Housing" click on "Training and Resource Library" / Under "Single Family Guaranteed Rural Housing" scroll to "Guaranteed

Underwriting System (GUS)" and click on the link you wish to view. Below is an example of the materials available. Materials are subject to change and updates.

Guaranteed Underwriting System (GUS)

Training

[GUS Overview Training 2010 \(Flash\)](#)

[GUS Lender Overview Training \(Flash\)](#)

[GUS Lender Advanced Training \(Flash\)](#)

Documentation and Resources

[GUS Training 2010 \(PDF\)](#)

[GUS User Guide \(PDF\)](#)

[Gaining Access To GUS Fillable Forms \(PDF\)](#)

[Gaining Access To GUS Guide \(PDF\)](#)

[LOS/POS Tested Listing\(PDF\)](#)

- **"GUS Overview Training 2010"** is the mandatory course required for GUS access. This is an on-demand training presented in a flash format.
- **"GUS Lender Overview Training"** presents GUS training on an older GUS format. Completion of this training will not count towards the mandatory training requirement.
- **"GUS Lender Advanced Training"** presents GUS training on an older GUS format. Completion of this training will not count towards the mandatory training requirement.
- **"GUS Training 2010"** is a .pdf version of the "GUS Overview Training 2010" with notes.
- **"GUS User Guide"** is a reference tool for each application page in GUS.
- **"Gaining Access to GUS Fillable Forms"** provides all of the necessary forms lenders must complete and include as part of a complete application package when requesting access to GUS.

- **“Gaining Access to GUS Guide”** provides an overview of GUS, documentation standards, GUS Signup instructions, Security Administrator instructions and job aids.
- **“LOS/POS Tested Listing”** is a .pdf document that lists the LOS and POS systems tested for import ability with GUS. This list is not all-inclusive. Many systems not listed are compatible with GUS to import existing loan files.

NOTE: The titles/dates may change slightly each year in order to reflect the most current trainings posted.

RURAL DEVELOPMENT FORMS

All forms are available online at www.rurdev.usda.gov/RegulationsAndGuidance.html under “Forms.”

LENDER APPROVAL FORM

- **Form RD 1980-16: “Agreement for Participation in Single Family Housing Guaranteed/Insured Loan Programs of the United States Government”** (a.k.a. Lender’s Agreement). Ensure the form is complete and executed.

GUARANTEED LOAN APPLICATION PROCESS

- **Form RD 1980-21: “Request for Single Family Housing Loan Guarantee”**
- **Form RD 1980-18: “Conditional Commitment for Single Family Housing Loan Guarantee”** completed by Rural Development
- **Form RD 1980-19: “Guaranteed Loan Closing Report”**
- **Form RD 1980-17: “Loan Note Guarantee”**
- **Form RD 1980-11: “Guaranteed Rural Housing Lender Record Change”**

RURAL DEVELOPMENT CONTACTS

SINGLE FAMILY HOUSING GUARANTEED DIVISION: NATIONAL OFFICE

USDA Rural Development
 Single Family Housing Guaranteed Loan Division
 1400 Independence Ave., S.W.
 Washington, D.C. 20250-0784
 Phone: 202.720.1452

STATE OFFICES

State contacts may be located at:

<http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=GetRHContact&NavKey=contact@12>

ELIGIBILITY WEBSITE

The nationwide eligibility website will allow lenders or applicants to view eligible rural areas, enter an exact address for an eligibility determination, view income limits, enter monthly gross income for an eligibility determination, and locate state contacts. The eligibility website is located at:

<http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>

USDA LINC

USDA LINC provides access to multiple training programs and guides, loan reporting, and the Guaranteed Underwriting System (GUS). USDA LINC is located at:

<https://usdalinc.sc.egov.usda.gov/>

LISTSERV

ListServ is a free email service that delivers SFHGLP updates to subscribers. **To subscribe log on to:** <http://www.rdlist.sc.egov.usda.gov> Enter your email address. Check the boxes next to the topics you wish to receive ListServ messages from: "SFH Origination News," "SFH Guaranteed Underwriting System (GUS) News" and/or "SFH Servicing News." Scroll to the bottom of the screen and click "Subscribe." You may unsubscribe at any time by following the directions provided at the bottom of each ListServ message.
